



REGENERATION AND ENVIRONMENT SCRUTINY COMMITTEE – 29TH OCTOBER 2013

SUBJECT: LOCAL INVESTMENT FUND PROGRESS REPORT

REPORT BY: ACTING DEPUTY CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to provide a summary of developments to date on the Local Investment Fund for South Wales Valleys.

2. SUMMARY

- 2.1 The report outlines the background to the Local Investment Fund, the funding support it makes available to business, particularly Caerphilly County Borough, and reports on developments since the start of the project in early 2009, including performance against budget and outputs.

3. LINKS TO STRATEGY

- 3.1 One of the Regeneration objectives in the Community Strategy has the specific aim of generating sustainable, accessible and well paid employment opportunities locally, in order to encourage economic prosperity and reduce the need to travel.
- 3.2 Economic development and business support is an integral element in protecting and developing the local economy as set out in the Caerphilly Regeneration Framework Review. It is a key element in responding to the recession and ongoing economic instability and encouraging diversification and entrepreneurship. The provision of financial support to local businesses is fundamental in meeting these objectives and the Review identifies funding for business as one of the areas on which the Council should focus and where it can have an influence. Indeed it states that “the importance of public sector financial support...will increase” during the downturn.

4. THE REPORT

Introduction

- 4.1 The Local Investment Fund (LIF) is a Convergence Funded initiative, and operates, with variations, in West and North Wales as well as in the South Wales Valleys. In the Valleys a consortium of the local authorities of Caerphilly, Torfaen, Blaenau Gwent, Merthyr Tydfil, Bridgend and Rhondda Cynon Taff manage it. Project Management is by Rhondda Cynon Taff.

- 4.2 The Fund primarily offers grant assistance to eligible businesses within the Valleys of between £1000 and £10,000 and was originally designed to complement the Welsh Assembly Government's Single Investment Fund, which broadly provided support above that level. The system does include an ability to offer grant support of up to £35,000 in certain circumstances.
- 4.3 Support is targeted primarily at manufacturing businesses and businesses offering services to manufacturing, although there is scope for extending support to some other sectors including Tourism and some business-to-business activities that offer economic benefit to the community. Eligible businesses must be investing in capital items such as equipment, ITC, websites, marketing material and some building works.
- 4.4 The project runs from January 2009 to December 2013, with a total of £2,066,586 available in grant assistance to business in Caerphilly.

Progress To Date

- 4.5 LIF was designed prior to the start of the recession and was based on levels of investment and the take up of previous grant support seen before the downturn. Actual expenditure and outputs, therefore, did not meet original expectations. This led to a re-profiling of the project in mid 2010, which moved the bulk of expenditure from the early part of the project to the later years.
- 4.6 Nonetheless, Caerphilly has performed well in these difficult circumstances and better than the other local authorities in the Valleys consortium in terms of businesses supported and the number of grants offered. For example, to 31 May 2013, Caerphilly was responsible for 279 (25%) of grants paid, totalling £1,908,544.90., 28% of enterprises (businesses) supported, 25% of the individuals supported to start a new business and 26% of the jobs created to date.
- 4.7 The Project has just undergone phase one of its Final Evaluation. The report is currently in draft stage however initial findings in the report highlight Caerphilly as an authority who has performed very well.
- 4.8 Eight businesses who have received support from the Local Investment Fund gave presentations recently to cabinet members highlighting what they have been able to achieve due to the support of officers from within the Business Enterprise Support team and the grant aid from the Local Investment Fund. The presentations went very well and the businesses welcomed the opportunity of meeting cabinet members to stress the value they put on the support available to them from the authority.

Outputs

- 4.9 The Outputs (Targets) for the Project in Caerphilly include the number of enterprises (businesses) supported, individuals supported to set up business, social enterprises supported and jobs created.
- 4.10 On most counts, we are well on target to achieve or have already achieved the outputs to the end of May 2013, except the new enterprises created project outputs looks to be ambitious. This can be attributed to a large extent to the minimum grant level (£1000) with many new businesses not needing to and/or not being able to afford to invest this amount of money at the start. This is borne out by the demand from start up businesses that exists for other grants that are administered within the department which do not have this criteria attached.
- 4.11 To 31 May 2013, 322 jobs had been created and evidenced out of a target of 316 (This excludes jobs in businesses to which grant has been offered but not yet drawn down). The number of jobs safeguarded as a result of LIF support is not a Project Output but is monitored. According to information supplied by the companies whose grants have been paid out, LIF has contributed to the safeguarding of 3021 jobs.

- 4.12 The number of Enterprises supported to date (190) represents 90% of the target of 210. The number of Individuals supported to start a business is significantly lower than target (30 to date against a target of 84). This is partly down to an overly strict definition of the term, which is difficult to satisfy and for the reason mentioned above. WEFO have indicated that this is not likely to be of concern, and that when assessing the Project the focus will be on a combination of Enterprises and Individuals supported.

LOCAL INVESTMENT FUND PROJECT EXTENTION

- 4.13 As of 31st May 2013 Caerphilly had fully committed its entire LIF capital grant budget. However WEFO recognising the success of the South East Wales LIF consortium have awarded the region an extension on the project through to 30 June 2014 including an additional capital budget of £207,126 and a corresponding increase in job creation target of a further 37 jobs. There has also been an increase in the revenue grant allocation of £17,940 to support the capital projects.

5. EQUALITIES IMPLICATIONS

- 5.1 Individuals and groups who fall under the protected characteristics and wider Equalities issues covered by the Council's Strategic Equality Plan can often be significantly disadvantaged in terms of accessing employment opportunities locally, and travel options for work and career development further afield.
- 5.2 The Local Investment Fund, by supporting the Regeneration objective noted in 3.1 previously, is therefore of particular significance to those individuals and groups.

6. FINANCIAL IMPLICATIONS

- 6.1 The capital element on the Project (by far the largest component) is funded by the Convergence Fund and matchfunded by the companies receiving support, with no Council contribution. The revenue element is met by the Convergence Fund, with in kind support from the Council in the form of staff time spent on the Project. There are therefore no financial implications for the authority.
- 6.2 Convergence funding is European funding administered by Welsh European Funding Office (WEFO). This project as stated in 4.1 is a consortium bid lead by Rhondda Cynon Taff (RCT). Grant claims are submitted to RCT who then reimburse the claims.
- 6.3 As noted in 4.13 additional capital budget of £207,126 has been awarded to Caerphilly with the matchfunding for this grant being supplied by the companies receiving the support as noted in 6.1.
- 6.4 As noted in 4.13 additional revenue budget of £17,940 has been awarded to Caerphilly with the matchfunding for this grant being in-kind staff time from project officers as noted in 6.1.
- 6.5 As noted in 6.1 there are no financial implications for the authority.

7. PERSONNEL IMPLICATIONS

- 7.1 In Caerphilly, the Project is managed and operated by members of the Business Enterprise Support Team. A Project Monitoring Officer post is Convergence Funded to support this project and this post will now receive funding to end June 2014.

8. CONSULTATIONS

8.1 All comments received are contained within the report.

9. RECOMMENDATIONS

9.1 The report is for information only.

10. REASONS FOR RECOMMENDATION

10.1 This report is for information only.

11. STATUTORY POWER

11.1 Local Government Act 2000.

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